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UNITED STATES DEPARTMENT OF AGRICULTURE

Washington - August, 1954

1954 U. S. DEPARTMENT OF AGRICULTURE DROUGHT PROGRAM

Prolonged drought has caused serious deterioration of pastures and range land and a shortage of feed grains in some parts of the United States, making it difficult for farmers and ranchers to maintain basic livestock herds.

With enabling legislation from the Congress, and in cooperation with the States, the U. S. Department of Agriculture has in effect a well-defined and practical program to help farmers and ranchers meet the serious problems that come with prolonged drought.

In addition to regular services of the Department, the following special programs are available to farmers and ranchers who need assistance:

1. Emergency loans through the Farmers Home Administration
2. Special Agricultural Conservation Program assistance in drought areas.
3. A Federal-State cooperative hay program.
4. A special feed grain program.

Emergency Loan Program

In its belief that self-help plans are preferred over subsidy arrangements by most farmers and ranchers, the USDA offers its emergency loan program at the top of its list of distress help plans.

Farmers Home Administration emergency loans assist farmers and ranchers who are unable to obtain credit they need from local private sources.

Special Livestock Loans

Under the emergency loan program, special livestock loans are available to farmers and ranchers who need credit to continue their cattle, sheep, or goat operations. These loans are available in any State without regard to drought disaster designations.

Those who may borrow under the special livestock loan program are: Established producers and feeders of cattle, sheep, and goats, except commercial feed lot operators, who:

1. Are temporarily unable to get from commercial banks, cooperative lending agencies, or other responsible sources, the credit needed to continue their normal livestock operations.
2. Who have a good past record of livestock operations.
3. And who have reasonable prospects for success with the help of the loan.

These loans are made to meet the usual expenses necessary for production of feed, and replacing, hiring, or repairing farm machinery and equipment. Loans also may be made for restocking herds, if the applicant can carry his present herd, plus the additional livestock to be purchased, without buying a substantial portion of his feed. Loans are not made to expand operations substantially or to pay existing debts, except current incidental bills.

Loans bear 5 percent interest and are repayable as rapidly as possible, according to a schedule based on the applicant's ability to repay, but may not initially have a maturity beyond 3 years. In justifiable circumstances, renewals may be made. Loans are secured in their full amount by the personal obligation and available security of the applicant. Other creditors are not asked to subordinate their liens, but are required to stand by and agree that a reasonable part of the applicant's normal income from livestock can be used in repaying the loan. The standby agreement is required to give the farmer a fair chance to work out of his difficulties resulting from the emergency.

Loan Approval: A State or local livestock loan committee, appointed by the Secretary of Agriculture, decides whether the applicant is eligible and approves the loan. An application for a loan of more than \$50,000 must have final approval by the Secretary.

Where to Apply: Applications for special livestock loans may be made at the county offices of the Farmers Home Administration, or may be referred to the State Special Livestock Loan Committee.

Authority: Special livestock loans are authorized under Section 2(c) of Public Law 38, 81st Congress, as amended by Public Law 115, 83rd Congress, July, 1953, and are authorized for a period of two years from that date.

Production Emergency Loans

Production emergency loans are made in areas designated by the Secretary of Agriculture where (1) serious losses in agricultural production have occurred as a result of drought, floods, storms, or some other natural calamity, and (2) there is widespread need among farmers of the area for emergency credit to continue normal farming operations, and such credit cannot be obtained through commercial banks, cooperative lending institutions or other responsible sources. (These loans are authorized by Public Law 38, 81st Congress, as amended.)

When an emergency arises the State director of the Farmers Home Administration, acting on information obtained through and recommendations by local agricultural leaders, groups, and agencies, reports to the FHA Administrator in Washington. The report describes the nature and extent of the emergency, furnishes estimates of damage and losses sustained, and gives factual information concerning the availability of local credit and the need for emergency credit. A recommendation for designation of the area for production emergency loans is made to the Secretary if such action is justified.

Who is Eligible: Any established farm owner or farm operator in a designated area is eligible if he (1) has suffered a substantial production loss because of drought, flood, storm, or other natural calamity, (2) is unable to obtain from other lenders the credit required to continue his normal operations, and (3) has reasonable prospects for success with the assistance of a loan.

Purpose of the Loan: Loans may be used for the purchase of feed, seed, fertilizer, replacement livestock and equipment; for other essential farm and home operating expenses; and for replacement or repair of buildings, fences, drainage and irrigation systems in individual farms which were destroyed by the disaster. Production emergency loans may not be made to pay existing debts or to compensate applicants for their losses.

Rates and Terms: Loans bear 3 percent interest on the unpaid principal, and are scheduled for repayment over the minimum period of time consistent with the borrower's ability to repay. Ordinarily loans secured by liens on chattel property are scheduled for repayment within 1 to 5 years and loans for repair or improvement of real estate are scheduled for repayment within 1 to 10 years. Amounts advanced for crop production purposes are repayable when the income derived from the sale of the crops produced with the loans is received.

Security Requirements: Loans may be secured by (1) a first lien on all crops to be produced with the loan and on all livestock, farm machinery, and farm equipment purchased with the loan funds, (2) the best lien obtainable on all other crops growing or to be grown, and (3) whenever necessary, the best lien obtainable on livestock, farm machinery, and farm equipment already owned by the applicant. Real estate security is always required when advances are made primarily for improvement to real estate, and in other instances when necessary to protect the government's interest.

Applications: Full information concerning production emergency loans, as well as application forms, may be obtained at county offices of the Farmers Home Administration.

Economic Emergency Loans

Public Law 38 also provides authority for making agricultural loans where the President has designated major disaster areas under Public Law 875, provided the Secretary of Agriculture determines that economic conditions in the area resulting from the disaster have caused a need for agricultural credit which cannot be met by existing credit sources. These loans are made under the same policies as those governing production emergency loans, except that applicants are not required to establish a production loss.

Agricultural Conservation Program Service

Recent changes in the national Agricultural Conservation Program enables farmers in drought areas to take advantage of cost-sharing in establishing cropland to be shifted from crop production in 1955. The ACP authorizes payment of up to 50 percent of the cost of seedbed preparation, fertilizer, lime and seed for establishing cover crops on such land. Although the main purpose of the change is to provide adequate protective cover, such crops can provide emergency winter pasture for livestock.

In addition, agencies responsible for ACP at the State level are authorized to determine whether drought damage is sufficiently severe to require using emergency-type practices in meeting farmers' conservation needs, without requiring the farmer to exceed his normal acreage of those practices, and without requiring him to forego use of the land for crops in 1955. Provisions in both the 1954 and 1955 programs contain the authority to develop practices to deal with any emergency conservation problems which may arise.

Hay and Feed Grain Program

Hay and feed grain programs are available in States that have been declared disaster States by the President of the United States. A drought committee is established in each State where drought conditions appear to constitute an emergency. The State drought committee is composed of the chairman of the State Agricultural Stabilization and Conservation Committee as its chairman, with the following as additional members: State director of the Agricultural Extension Service, State director of the Farmers Home Administration, State director of Civil Defense, a prominent farmer, and a prominent banker.

The State drought committee is responsible for obtaining and furnishing information to the Secretary of Agriculture with respect to drought conditions in the State. Where the severity of drought justifies, the Secretary will use the information submitted by the State drought committee, together with other information available to him, as a basis for recommendation to the President for designation of the State as a drought disaster area under Public Law 875. In addition to the recommendations from the Secretary, provisions of the law require the governor of the State to make a formal request to the President, setting forth the facts and conditions which constitute the emergency and how the State government is rendering assistance to meet it. The request from the governor and the recommendations of the Secretary of Agriculture constitute the basis upon which the President decides whether a state of emergency exists pursuant to Public Law 875.

In States that have been designated by the President as drought disaster areas, the Secretary of Agriculture is authorized to designate the counties within the State in which the hay and feed program will operate. The information submitted by the State drought committee and other information available to the Secretary is used as a basis for determining the counties in which these programs will be made available.

Hay Distribution Program

The hay program in these designated drought areas is conditioned upon the governor of the State requesting and signing a contract with the Secretary of Agriculture whereby the Department makes available to the governor such Federal funds as may be agreed upon in the contract for use by the governor in paying costs of transportation of hay, but not to exceed one-half the actual cost of the transportation or \$10, whichever is less.

The USDA plays no part in the actual acquisition and distribution of hay, but in negotiations with States the Department encourages such acquisition and distribution be handled through established channels of trade.

This is how a farmer or rancher makes application for and receives assistance under the hay program:

1. In drought-designated areas where the governor and the USDA have entered into a contract for the hay program, farmers and ranchers obtain application forms for hay at reduced transportation rates at the local office of the Farmers Home Administration or the county Agricultural Stabilization and Conservation Committee office.

2. All applications for hay at reduced transportation costs must be approved by the FHA county committee for the county in which the farmer and rancher reside. Completed applications are filed by the applicant at the FHA or the county ASC office.
3. After approval by the county FHA committee, the approved application for hay may be picked up by the farmer or rancher at the county ASC office.
4. The farmer or rancher who has been certified for assistance under the hay program uses the approved application when negotiating with the local dealer or person from whom he will purchase the hay. The approved application permits the farmer or rancher to purchase the hay from local sources at the reduced transportation costs.

Feed Grain Program

The Department's feed-grain program, which involves the use of Commodity Credit Corporation surplus grains, is available in disaster areas designated under Public Law 875. Under policies announced by USDA, farmers and ranchers who need help to maintain their foundation herds of cattle, sheep, and goats may obtain applications for these surplus feed grains at either the local county office of Farmers Home Administration or the county Agricultural Stabilization and Conservation Committee office. The completed applications may be filed at either of these local offices.

The county FHA committee reviews all applications for hay or feed grains to determine the eligibility of the applicant.

Farmers who receive approved applications for surplus feed grains obtain such grains at a reduced cost of 60 cents per hundredweight below the local price. Farmers or ranchers purchase the grain through local trade channels. Local dealers who sell the grain to farmers or ranchers obtain from the county Agricultural Stabilization and Conservation Committee negotiable certificates for the 60 cents per hundred pounds of grain sold to eligible farmers or ranchers. The CCC pays off these certificates with grain from its surplus inventories.

The President, Congressional representatives, and the Department have agreed to operate the hay and feed grain programs with a maximum of dependence on the hay and feed trade and great reliance is placed on these commercial outlets for the success of the programs.

"The trade has the job of getting behind the programs and making them work in such a way that the farmers who need help, get it", Secretary Benson said. "It is through such positive action on the part of the trade that the President and Congress and the State officials are justified in their desire to place primary reliance on private business."

Eight States, 316 Counties Designated

At the end of August, 316 counties in 8 States had been designated emergency areas, making USDA drought programs available to many farmers and ranchers.

Farmers and ranchers do not have to be bankrupt or penniless to get help. But they do have to be bona fide farmers or ranchers -- not people who farm as a sideline or hobby. Eligibility for participation is determined by the Farmers Home Administration Committee right in the applicant's own county, so the matter can be considered realistically and with first-hand knowledge of circumstances.

States, with the number of counties designated as of the end of August, include:

Colorado, 24 counties; Texas, 75; Wyoming, 13; New Mexico, 24; Oklahoma, 37; Missouri, 76; Arkansas, 37; and Kansas, 30.

Applications for designation from a number of other States are under study.

Five States have signed contracts with the USDA for participation in the cooperative hay distribution program -- Colorado, Texas, Wyoming, New Mexico, and Oklahoma.



